PG Even Semester Exam, May 2025

Economics

2nd Semester

COURSE NO. ECO-201

[Micro Economic Analysis -II]

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer five questions, taking one from each Unit

UNIT-I

1. Derive the equilibrium conditions in a 2x2 general equilibrium model with prices. In this context, state and specify the role of Walras' Law. 5+3=8

   State the conditions for existence of the equilibrium. 2

   Prove, that the equilibrium is efficient. 4

2. a. Write a short note on the Arrow-Debreau conditions for existence of equilibrium in a general equilibrium model. 6

b. Explain and critically analyse the statement (stability) condition in a general equilibrium framework. 8

UNIT-III

3. a. What are the conditions of Pareto optimality conditions? What are the limitations of such optimality? 8+2=10

   b. Explain the theory of second Best. 4

4. a. Discus any 'compensation theory' of social welfare maximization. 4

   b. Derive a 'Grand utility possibility frontier' using both the direct and alternative methods. 10

UNIT-III

5. a. Define the concept of 'expected utility and illustrate (with example) its role in choosing between two investment proposals having different amount of risks. 4+6=10

   b. Show how a risk-averse person behaves against a fair game. 4

6. a. Construct an utility index to deal with a hypothetical uncertain situation. 6

   b. Discuss (with example) the concept of 'Nash Equilibrium' and 'Prisoner's Dilemma' in an oligopoly type of market situation. 4+4=8

UNIT-IV

7. What do you mean by 'market failure'? How does externality cause failure of market efficiency. Suggest measures to resolve such problems. 2+4+8=14

8. a. Illustrate any method of pricing of exhaustible recourses to maintain sustainability. 10

   b. Critically analyse the effects of foreign investment on the receiving nation. 4

UNIT-V

9. "Information asymmetry is a major hurdle in wage fixation in a failure market" –Explain. Illustrate the role of education in resolving this issue. 6+8=14

10. Write short notes on (any two) : 7x2=14

    a. The market for lemons

    b. Economics of search

    c. Problems of Moral Hazard

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